

Message Text

SECRET

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ACTION SS-25

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S E C R E T KUWAIT 1055

EXDIS

E.O. 11652: GDS

TAGS: ENRG, KU

SUBJECT: KUWAITI TAKE-OVER OF KUWAIT OIL COMPANY

REF: KUWAIT 1037

1. KUWAITI PRESS MARCH 6 HEADLINES "KUWAIT TAKES OVER KOC" AND PROCEEDS TO REPORT GOK REQUEST THAT GULF AND BP COME TO KUWAIT TO BEGIN NEGOTIATIONS. PRESS ALSO QUOTES KUWAITI OIL MIN KAZEMI IN ALGIERS AS SAYING "FROM THIS MOMENT STATE OF KUWAIT HAS BECOME OWNER OF ALL SHARES HELD UP TO NOW BY THESE COMPANIES."

2. I CALLED MIN OF FINANCE ATEEQI TO ASK FOR HIS COMMENT. ATEEQI SAID GOK CALL FOR TALKS WITH COMPANIES RE REMAINING 40 PERCENT PARTICIPATION (GOK ALREADY HOLDS 60 PERCENT) SHOULD COME AS NO SURPRISE SINCE GULF AND BP TOLD LAST DECEMBER SUCH TALKS WOULD BE COMING SOONER OR LATER. ATEEQI ADDED RESULTS OF GOK-GULF-BP DISCUSSIONS WOULD NOT BE KNOWN UNTIL THEY TOOK PLACE, AND, HE EMPHASIZED, ANYTHING SAID BY PRESS "OR IN ANY OTHER STATEMENTS" BEYOND THIS "ARE COMPLETELY IRREVLEVANT".

3. I OBSERVED THAT GOK CALL OFR TALKS WITH COMPANIES NEVERTHELESS DID SEEM A BIT PRECIPITATE. WHY SO? ATEEQI REITERATED CALL WAS "NOT SUDDEN"; COMPANIES WARE SINCE DECEMBER SUBJECT BOUND TO COME

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UP. ATEEQI MAINTAINED 100 PERCENT KUWAITI OWNERSHIP WAS NO

LONGER A PROBLEM, SINCE COST OF OIL TO COMPANIES WAS NOW RPT NOW NEARLY THE MARKET PRICE. THUS GIVING UP REMAINING 40 PERCENT MADE NO DIFFERENCE. (NOTE: ATEEQI PRESUMABLY MEANS THAT WITH PRESENT PREVAILING SINGLE PRICE SYSTEM, COMPANIES OWN NO MORE EQUITY OIL ANYWAY, AND COMPANIES SHOULD BE ABLE CONTINUE TO MAINTAIN CURRENT SLIM MARGIN OF PROFIT ON KUWAITI OIL).

4. I ASKED ATEEQI IF RECENT BLOW-UP IN NATIONAL ASSEMBLY (KUWAIT 1034) HAD SPURRED GOK TO ACTION ON NATIONALIZATION QUESTION. ASKING THAT FOLLOWING REMARKS BE HELD IN CONFIDENCE, ATEEQI ADMITTED GOK BEING PRESSED BY OTHER OPEC MEMBERS TO COMPLETE KUWAITI TAKE-OVER OF KOC. HOWEVER, GOK NOT RPT NOT GOING TO B PRODDED INTO FINALIZING ARRANGEMENTS FOR 100 PERCENT OWNERSHIP UNTIL CERTAIN FACTS BECAME KNOWN. SPECIFICALLY, HE SAID, SAUDIS KEPT SAYING THEY HAD TAKEN OVER 100 PERCENT OF ARAMCO BUT THEY HD NOT GIVEN KUWAITIS ANY INFORMATION ON DETAILS. UNTIL THEY DID, KUWAIT WOULD NOT BE IN ANY HURRY REACH NEW FINAL AGREEMENT. ON OTHER HAND, ATEEQI ADDED, GOK DID NOT INTEND TO WAIT TO ADDRESS NATIONALIZATION ISSUE UNTIL "PRESSURES" GREW TO POINT WHERE IT LOOKED AS IF GOK WAS SUCCUMBING TO THEM. I ASKED IF "PRESSURES" CAME FROM INSIDE KUWAIT. ATEEQI REPLIED FROM BOTH INSIDE AND OUTSIDE. ATEEQI SAID PRIME MINISTER HAD DECLARED TO CABINET IT WAS NOW HIGH TIME TO CALL FOR TALKS WITH COMPANIES BEFORE PRESSURES BECAME UNMANAGEABLE.

5. COMMENT: I THINK PRESENT SITUATION IS NOW PRETTY CLEAR: PRESSURES ON KUWAIT AT VIENNA AND ALGIERS HAVE BEEN BUILDING UP TO IMPOSE 100 PERCENT ON KOC. AT SAME TIME NATIONAL ASSEMBLY CRISIS PUT NEW DISQUIETING LIGHT ON INTESIFYING INTERNAL POLITICAL PRESSURES ON GOK, WITH NATIONALIZATION A TAILOR MADE ISSUE FOR THOSE WISHING EMBARRASS THE GOVERNMENT. WITH IS SUDDEN CALL FOR TALKS WITH COMPANIES (GULF AND BP REPS WILL ARRIVE KUWAIT MARCH 11), GOK TRYING PREEMPTIVE STRIKE. WHILE WE STILL THINK KUWAITI LEADERSHIP DOES NOT HAVE MUCH STOMACH FOR FULL NATIONALIZATION, NEVERTHELESS DIE SEEMS TO BE CAST.

6. DEPT RPT OTHER ADDRESSEES AS DESIRED.
STOLTZFUS

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